

Message Text

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TO USMISSION GENEVA

USMISSION OECD PARIS

AMEMBASSY ROME

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E.O. 11652: N/A

TAGS: EFIN, EAID

SUBJECT: INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
(IFAD) WORKING GROUP

REF: A) ROME 9433 B) ROME 9497

1. SUMMARY: THIRD AND FOURTH DAYS OF AD HOC WORKING GROUP
(JULY 2 AND 3) DEVOTED TO ARTICLE BY ARTICLE REVIEW OF
FIRST 6 DRAFT ARTICLES OF AGREEMENT. DELEGATES PROPOSED
AMENDMENTS TO INCORPORATE VIEWS HIGHLIGHTED IN
REFTELS. LAST DAY OF SESSION (JULY4) GROUP APPROVED
(1) LIST OF MUTUALLY AGREED POINTS AND (2) REPORT,
INCLUDING NARRATIVE ON POINTS WHERE CONSENSUS NOT YET
REACHED. U.S. VIEWS ADEQUATELY REFLECTED IN BOTH DOCUMENTS.
NEXT MEETING PLANNED FOR SEPT. 22-26 IN GENEVA.

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SECRETARIAT WILL CIRCULATE NEW VERSION OF DRAFT ARTICLES

FOUR WEEKS IN ADVANCE. END SUMMARY.

2. AFTER EXTENSIVE DEBATE, AGREEMENT REACHED ON FOLLOWING POINTS:

I) THE FUND SHOULD BE A SEPARATE ENTITY WITH ITS OWN GOVERNING BODIES.

II) THE FUND SHOULD BE AN OPERATIONAL FUND WHICH DETERMINES THE CRITERIA AND POLICIES FOR ITS OPERATIONS.

III) IT SHOULD BE AN ORGANIZATION IN WHICH THE RECIPIENT COUNTRIES SHOULD HAVE ADEQUATE REPRESENTATION.

IV) THE FUND SHOULD AIM AT PROMOTING AGRICULTURAL DEVELOPMENT, PRIMARILY FOOD PRODUCTION, IN DEVELOPING COUNTRIES. THE TERM "FOOD PRODUCTION", FOR THIS PURPOSE, INCLUDES THE DEVELOPMENT OF FISHERIES AND LIVESTOCK.

V) IN DEVELOPING THE PRIORITIES FOR ITS ASSISTANCE TO AGRICULTURAL AND RURAL DEVELOPMENTS, THE FUND SHOULD TAKE INTO CONSIDERATION, (A) THE NEED TO INCREASE FOOD PRODUCTION IN THE POOREST FOOD DEFICIT COUNTRIES, (B) THE POTENTIAL FOR INCREASING FOOD PRODUCTION IN OTHER DEVELOPING COUNTRIES AND (C) THE IMPORTANCE OF IMPROVING NUTRITIONAL LEVEL OF THE POOREST POPULATIONS IN DEVELOPING COUNTRIES AND THE CONDITIONS OF THEIR LIVES.

VI) CONTRIBUTIONS TO THE FUND SHOULD BE ON A VOLUNTARY BASIS.

VII) THE INITIAL TARGET FOR THE RESOURCES OF THE FUND SHOULD BE ONE BILLION SDR'S WHICH COULD BE INCREASED IN THE LIGHT OF THE PROGRESS MADE BY THE FUND IN REALIZING ITS OBJECTIVES, AND ADDITIONAL NEEDS AS THEY ARISE.

VIII) THERE SHOULD BE ADEQUATE PROVISION FOR PERIODIC REVIEW OF THE ADEQUACY OF RESOURCES OF THE FUND SO THAT ITS CONTINUITY CAN BE REASONABLE ASSURED.

IX) CONTRIBUTIONS TO THE RESOURCES OF THE FUND MADE BY DEVELOPED AND DEVELOPING CONTRIBUTING COUNTRIES SHOULD BE UNCLASSIFIED

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ONLY IN FREELY CONVERTIBLE CURRENCIES ACCEPTABLE TO THE FUND. /1/

/1/ THIS PARAGRAPH DEALS ONLY WITH DIRECT FINANCIAL CONTRIBUTIONS TO THE FUND, AND WITHOUT PREJUDICE TO THE QUESTION OF WHETHER OTHER TYPES OF CONTRIBUTIONS TO THE FUND MIGHT BE PERMITTED, AS ADVOCATED BY ONE DELEGATE.

X) CONTRIBUTIONS TO THE RESOURCES OF THE FUND SHOULD BE

FULLY PAID IN EITHER CASH OR NON-NEGOTIATABLE AND
NON-INTEREST BEARING PROMISSORY NOTES. ' INITIAL
PAYMENTS COULD BE MADE IN TWO INSTALLMENTS/1/
/1/ FOOTNOTE SAME AS ABOVE.

XI) THE RESOURCES TO THE FUND SHOULD BE UNTIED, AND THERE
SHOULD NOT BE ANY LIMITATIONS IMPOSED BY THE CONTRIBUTING
COUNTRIES ON THE USE OF THE RESOURCES MADE AVAILABLE.
RESOURCES PROVIDED TO THE FUND SHOULD BE USED FOR THE
PURPOSES FOR WHICH THEY WERE GIVEN. /1/
/1/ FOOTNOTE SAME AS ABOVE

XII) CONTRIBUTIONS TO THE FUND SHOULD BE ADDITIONAL TO
THE CURRENT LEVELS OF BILATERAL AND MULTILATERAL ASSIS-
TANCE TO THE AGRICULTURAL SECTOR AND TO THE EXTENT
POSSIBLE, ADDITIONAL TO TOTAL ASSISTANCE.

XIII) THE FUND SHOULD ADOPT A FLEXIBLE APPROACH IN ITS
OPERATIONS. TO ACHIEVE THIS OBJECTIVE, THE ARTICLES OF
AGREEMENT SHOULD INCLUDE A NUMBER OF ENABLING CLAUSES.

XIV) ASSISTANCE BY THE FUND WILL TAKE THE FORM OF GRANTS
AND LOANS. AS FOR LENDING BY THE FUND, THIS SHOULD BE ON
CONCESSIONAL TERMS AND FAVORABLE CONDITIONS, AND PAR-
TICULARLY TO THE POOREST COUNTRIES. TERMS OF ASSISTANCE
BY THE FUND SHOULD BE DETERMINED IN LIGHT OF ECONOMIC
CONDITIONS OF RECIPIENT COUNTRIES.

XV) THE FUND SHOULD AIM AT QUICK AND EFFICIENT IDENTIFI-
CATION, APPRAISAL AND APPROVAL OF PROJECTS AND PROGRAMS
FOR ASSISTANCE.

XVI) THE FUND SHOULD ESTABLISH CLOSE LINKS AND WORKING
RELATIONSHIPS WITH THE WORLD FOOD COUNCIL AND THE CON-
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SULTATIVE GROUP ON FOOD PRODUCTION AND INVESTMENT
IN DEVELOPING COUNTRIES.

3. FINAL REPORT ADOPTED WHICH DESCRIBES AREAS WHERE
CONSENSUS NOT YET REACHED, INCLUDING THE ARGUMENTS PRO AND
CON. THESE POINTS INCLUDE:

(1) WHAT ARE CRITERIA FOR MEMBERSHIP?

(2) SHOULD ALL MEMBER NATIONS MAKE SOME CONTRIBUTION TO
THE FUND, EVEN IF IT IS ONLY A TOKEN AMOUNT IN LOCAL
CURRENCY? -

(3) WHAT IS THE CRITERIA WHEREBY COUNTRIES ARE ELIGIBLE
FOR ASSISTANCE FROM THE FUND? E.G., SHOULD THERE BE
OBJECTIVE ECONOMIC CRITERIA FOR ELIGIBILITY (SOME SUGGESTED
IDA CRITERIA WHILE OTHERS MENTIONED UNDP CRITERIA). SHOULD
OPEC DONORS ALSO BE RECIPIENTS?

(4) SHOULD ALL RESOURCES BE MADE AVAILABLE FOR DIRECT DISPOSITION BY THE FUND? (ON THIS POINT THE REPORT STATES THAT ONE DELEGATION PROPOSES THAT PLEDGES OF INCREASED BILATERAL ASSISTANCE OVER AN AGREED BASE IN ACCORDANCE WITH AGREED CRITERIA, SHOULD COUNT AS A CONTRIBUTION. U.K. EXPRESSED OPEN MIND ON POINT, BUT MOST OTHER DELEGATIONS OPPOSED THIS PROPOSAL.

5) SHOULD THE FUND BE ABLE TO BORROW IN THE CAPITAL

MARKETS OR FROM INTERNATIONAL INSTITUTIONS OR GOVERNMENTS? (ON THIS POINT, A NUMBER OF OPEC AND OTHER LDC'S EMPHASIZED THAT IFAD SHOULD BE ABLE TO BORROW, WHILE U.S. AND A

NUMBER OF OTHER COUNTRIES STRESSED THAT CONTRIBUTIONS TO THE FUND SHOULD BE ON A GRANT BASIS.)

(6) ON WHAT TERMS SHOULD THE FUND LEND? SHOULD COMMERCIAL LOANS BE INCLUDED? HOW MUCH SHOULD BE MADE AVAILABLE ON A GRANT BASIS? (MOST COUNTRIES AGREED THAT THE BULK OF THE LENDING SHOULD BE CONCESSIONAL BUT SOME MEMBERS

WERE RELUCTANT TO EXCLUDE COMMERCIAL LOANS. KUWAIT WAS ADAMANT THAT GRANTS SHOULD BE MADE ONLY FOR TECHNICAL ASSISTANCE.

(7) SHOULD THE INSTITUTION DISBURSE ONLY THROUGH EXISTING IFI'S OR BE ABLE TO MAKE SOME RESOURCES AVAILABLE DIRECTLY TO BORROWING COUNTRIES? (IN GENERAL DAC COUNTRIES UNCLASSIFIED

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SUPPORTED DISBURSEMENT ONLY THROUGH IFI'S WITH A NUMBER OF LDC AND OPEC COUNTRIES PUSHING FOR GREATER FLEXIBILITY.)

(8) HOW SHOULD VOTING ON THE GOVERNING COUNCIL AND EXECUTIVE BOARD BE HANDLED? (THREE DIFFERENT PROPOSALS FOR VOTING IN THE COUNCIL INCLUDING THAT OF THE U.S. ARE APPENDED TO REPORT FOR MEMBER GOVERNMENT CONSIDERATION.)

(9) WHAT SHOULD BE THE LOCATION OF THE FUND? (U.S. PROPOSED WASHINGTON; OTHERS SUGGESTED ROME, NEW YORK AND AN UNDESIGNATED LDC CAPITAL.)

(10) SHOULD THE FUND FINANCE PROGRAMS AS WELL AS PROJECTS? HOW BROAD SHOULD THE PURPOSES BE?

4. THE SECRETARIAT WILL CIRCULATE A REVISED DRAFT OF THE ARTICLES OF AGREEMENT PRIOR TO THE NEXT MEETING. WHERE NO CONSENSUS WAS POSSIBLE, THE SECRETARIAT WILL DRAFT ALTERNATIVE WORDING.

5. THE NEXT MEETING WILL BE HELD SEPT. 22-26 IN GENEVA, WITH THE POSSIBILITY OF CONTINUING AN ADDITIONAL 2 DAYS IF NEEDED.

6. AT END OF MEETING U.S. DEL MADE STATEMENT EXPRESSING

PLEASURE AT COOPERATIVE SPIRIT IN WHICH MEETING CONDUCTED, NOTING PROGRESS MADE AND POINTING OUT THAT BEFORE NEXT MEETING GOVERNMENTS MUST CONSIDER CAREFULLY OPTIONS FOR RECONCILING DIFFERENCES WHICH STILL EXIST. PAKISTAN CON- SECONDED SENTIMENTS EXPRESSED AND MEETING ENDED ON POSITIVE NOTE.

7. COMMENT: IN SUM, THE ATMOSPHERE AT THE MEETING WAS CONDUSIVE TO A BUSINESSLIKE EXCHANGE OF VIEWS. SOME BASIC AREAS OF AGREEMENT WERE ESTABLISHED BUT MAJOR QUES- TIONS REGARDING THE STRUCTURE AND OPERATION OF THE FUND REMAIN OPEN. OPEC COUNTRIES WERE NOT PREPARED TO OUTLINE CLEARLY THEIR CONCEPT OF THE FUND NOR DID THEY OFFER FURTHER INDICATIONS ABOUT THE SIZE OF THEIR POSSIBLE

CONTRIBUTION. THE OECD COUNTRIES WERE RELATIVELY AGREED ABOUT THE NATURE OF THE OPERATION THEY WOULD LIKE. THE NEXT MEETING OF THE WORKING GROUP WILL BE CRUCIAL IN DETERMINING WHETHER THE DIFFERING VIEWS CAN BE RESOLVED. KISSINGER

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